

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
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AMCONSUL OPORTO
AMEMBASSY PARIS
USMISSION OECD PARIS
AMCONSUL PONTA DELGADA

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DEPT PASS TREASURY

E.O. 11652: N/A
TAGS: EINV EFIN POL
SUBJECT: COUNCIL OF MINISTERS APPROVES REOPENING
OF STOCK MARKET

1. IN JANUARY 13 MEETING, COUNCIL OF MINISTERS APPROVED:
-- REOPENING OF STOCK EXCHANGE ON FEBRUARY 28, 1977.
ACCORDING TO COMMUNIQUE, FINANCE MINISTRY WILL TAKE MEASURES
TO INSURE THAT EXCHANGE WILL NOT AGAIN BE CENTER FOR FINANCIAL
SPECULATION.
-- UNIFORM CORPORATE ACCOUNTING SYSTEM WHICH WILL BE
OBLIGATORY FOR PUBLIC SECTOR FIRMS IN 1977 AND FOR LARGE
PRIVATE FIRMS IN 1978.
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-- 1.6 BILLION ESCUDO (\$51 MILLION) LINE OF MEDIUM-
TERM CREDIT FOR AGRICULTURAL SECTOR.
-- INCREASE IN CEILING FOR STATE GUARANTEES (BEYOND
LEVEL EXISTING AT BEGINNING OF 1973) FROM 35 BILLION
ESCUDOS (\$1.1 BILLION) TO 45 BILLION ESCUDOS (\$1.4
BILLION).

2. COUNCIL OF MINISTERS COMMUNIQUE ALSO FEATURED:

-- NEW ANGOLAN CURRENCYM LAST WEEKEND ANGOLAN GOV-ERNMENT ISSUED A NEW CURRENCY (THE 'KWANZA') AND ALLOWED ONLY 3 DAYS FOR EXCHANGE OF OLD ANGOLAN ESCUDOS. ANGOLAN REFUGEES IN PORTUGAL HOLD AN ESTIMATED 5 BILLION ANGOLAN ESCUDOS (\$160 MILLION AT PAR WITH PORTUGUESE ESCUDO). BANK OF ANGOLA IN LISBON HOLDS LARGE AMOUNTS WHICH IT TOOK IN ACCORDANCE WITH AGREEMENTS WITH ANGOLAN GOVERNMENT. GOP WILL ATTEMPT TO CLARIFY SITUATION.

-- REFUGEE CENSUS. RECENTLY COMPLETED GOP CENSUS INDICATES THAT 440,878 REFUGEES FROM THE FORMER COLONIES ARE IN CONTINENTAL PORTUGAL. THIS FIGURE INCLUDES 147,171 FAMILIES, OF WHICH 23,714 ARE STILL BEING HOUSED AT GOP EXPENSE. CENSUS SHOWS THAT 32,615 REFRUGEES ARE EMPLOYED, 112,464 ARE UNEMPLOYED, AND 46,354 INTEND TO EMIGRATE.

3. COMMENT:

A. ALTHOUGH A LIMITED BOND MARKET HAS OPERATED SINCE JANUARY 12, 1976, STOCK TRADING HAS NOT BEEN PERMITTED SINCE EXHCNAGE WAS CLOSED ON APRIL 25, 1974. THE REOPENING OF THE MARKET IS LIKELY TO BE A SOBERING EVENT FOR THOUSANDS OF INVESTORS WHEN THEY LEARN HOW FAR THE TRADING VALUE OF THEIR SHARES HAS FALLEN. OTHERS, HOWEVER, WILL LIKELY BE ENCOURAGED BY THE PROSPECT OF RECEIVING SOMETHING FOR INVESTMENTS WHICH THEY HAD ALREADY WRITTEN OFF. GOP DECISION TO REOPEN STOCK MARKET FOLLOWED EARLIER ANNOUNCEMENT THAT INVESTORS IN FIDES AND FIA MUTUAL FUNDS WILL, ON JANUARY 16, RECEIVE FIRST INTEREST PAYMENT LIMITED OFFICIAL USE

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(6-1/2 PERCENT) SINCE 1974 REVOLUTION. BOTH MEASURES ARE ATTEMPTS TO HELP RESTORE PRIVATE CONFIDENCE AND TO STIMULATE NEW INVESTMENTS.

B. CENSUS FIGURES FOR REFUGEES MAY NOT BE COMPLETELY ACCURATE. WE HAVE RECEIVED INDICATIONS THAT SOME REFUGEES CHOSE NOT TO RESPOND TO CENSUS TAKERS; INDEED, A LARGE NUMBER ALREADY CONSIDER THEMSELVES TO HAVE INTEGRATED INTO PORTUGUESE SOCIETY. IN ADDITION, NATIONAL STATISTICAL INSTITUTE, WHICH CONDUCTED CENSUS, IS NOT NOTABLY EFFICIENT. GOP SPOKESMAN ADMITTED TO PRESS THAT FIGURES COULD ERR BY AS MUCH AS 10 PERCENT.

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